

SOUTHWEST MOSQUITO ABATEMENT AND CONTROL DISTRICT

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS



HINTONBURDICK

HINTON BURDICK HALL & SPILKER PLLC

CPAs & ADVISORS

SOUTHWEST MOSQUITO ABATEMENT AND CONTROL DISTRICT

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HINTON BURDICK

HINTON BURDICK HALL & SPILKER PLLC

CPAs & ADVISORS

Report of Independent Certified Public Accountants

To the Administrative Board of Directors
Southwest Mosquito Abatement and Control District
Washington County, UT

MEMBERS:

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DEAN R. BURDICK
ROBERT S. COX
BRENT R. HALL
KENNETH A. HINTON
MORRIS J. PEACOCK
PHILLIP S. PEINE
MICHAEL K. SPILKER
MARK E. TICHENOR

We have reviewed the accompanying financial statements of the governmental activities and each major fund for the Southwest Mosquito Abatement and Control District (Inter-local Agency), as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Southwest Mosquito Abatement and Control District.

A review consists principally of inquiries of District personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The management's discussion and analysis on pages 2 through 6 and budgetary comparison information on page 22, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but were compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Hinton Burdick Hall & Spilker PLLC

HINTON, BURDICK, HALL & SPILKER PLLC
June 25, 2007

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Southwest Mosquito Abatement and Control District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2006. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total assets exceed total liabilities (net assets) by \$ 476,059 at the close of the fiscal year.
- Total net assets increased by \$99,818.
- Total revenues from all sources were \$324,892.
- The \$2,100 recorded as operating grants and contributions in the statement of activities is for the emergency funding grant from the department of AG.
- The \$7,424 recorded as capital grants and contributions in the statement of activities is for the contribution of two vehicles to the District.
- Total revenue was \$25,468 more than the final budget and expenditures were \$64,711 less than the final budget.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$415,104 or 182% of total General Fund expenditures.
- The District does not currently have any outstanding long-term debt.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Assets and the Statement of Activities. These statements provide information about the activities of the District as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements. (3) Notes to the financial statements.

Reporting the District as a Whole

The Statement of Net Assets and the Statement of Activities (Government-wide)

A frequently asked question regarding the District's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. Net assets, the difference between assets and liabilities, are one way to measure the District's financial health, or financial position. Over time, increases or decreases in net assets are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the District's property tax base or jurisdiction, the availability of capital projects, and condition of the District's assets to accurately assess the overall health of the District.

The Statement of Net Assets and the Statement of Activities, present information about the following:

- Government activities – All of the District's basic services are considered to be governmental activities, including public safety and interest on long-term debt. Property taxes, intergovernmental revenues and interest earnings finance most of these activities.
- Proprietary activities/Business type activities – The District currently does not maintain any proprietary activities; all activities are accounted for as governmental activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the District as a whole. The District's major fund uses the accounting approaches as explained below.

- Governmental funds – All of the District's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the Basic Financial Statements and in footnote 3.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the District's financial position. The District's combined assets exceed liabilities by \$476,059 as of December 31, 2006 as shown on the following condensed statement of net assets.

Statement of Net Assets

	12/31/2005	12/31/2006
Current and other assets	\$ 329,631	\$ 427,879
Capital assets	51,316	60,955
Total assets	<u>380,947</u>	<u>488,834</u>
Long-term obligations	-	-
Other liabilities	4,706	12,776
Total liabilities	<u>4,706</u>	<u>12,776</u>
Net assets:		
Invested in capital assets, net of related debt	51,316	60,955
Restricted	-	-
Unrestricted	324,925	415,104
Total net assets	<u>\$ 376,241</u>	<u>\$ 476,059</u>

Governmental Activities

The cost of all Governmental activities this year was \$225,074. Overall governmental program revenues, including intergovernmental aid and fees for services were \$9,524. General taxes and investment earnings totaled \$315,368.

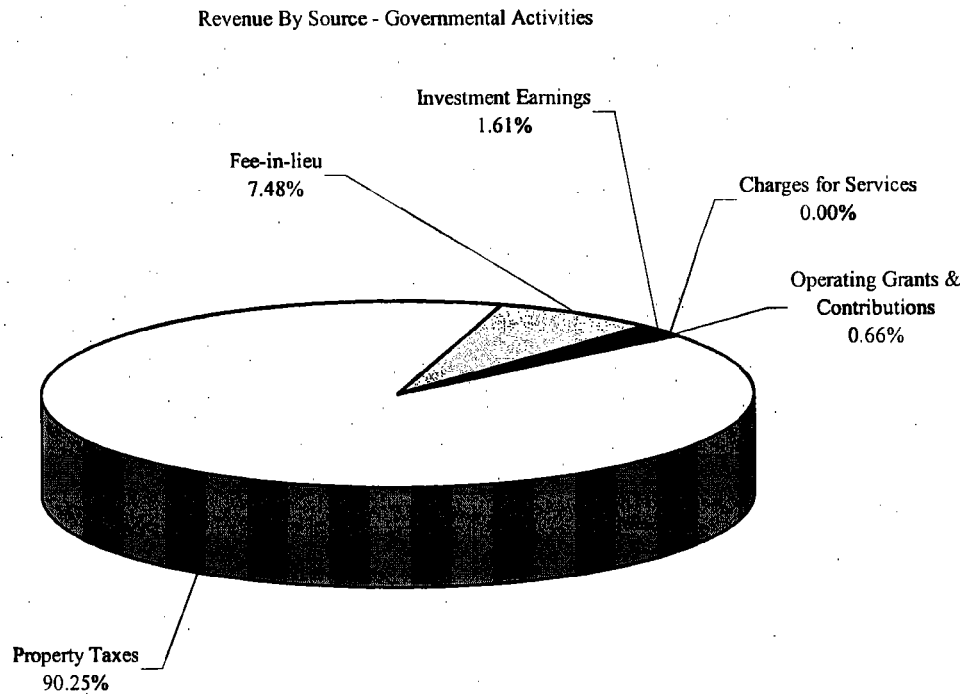
All of the District's activities are reported under one program: Public Safety. Each programs' net cost (total cost less revenues generated by the activities) is presented below. The net cost shows the extent to which the District's general taxes support each of the District's programs.

Changes in Net Assets

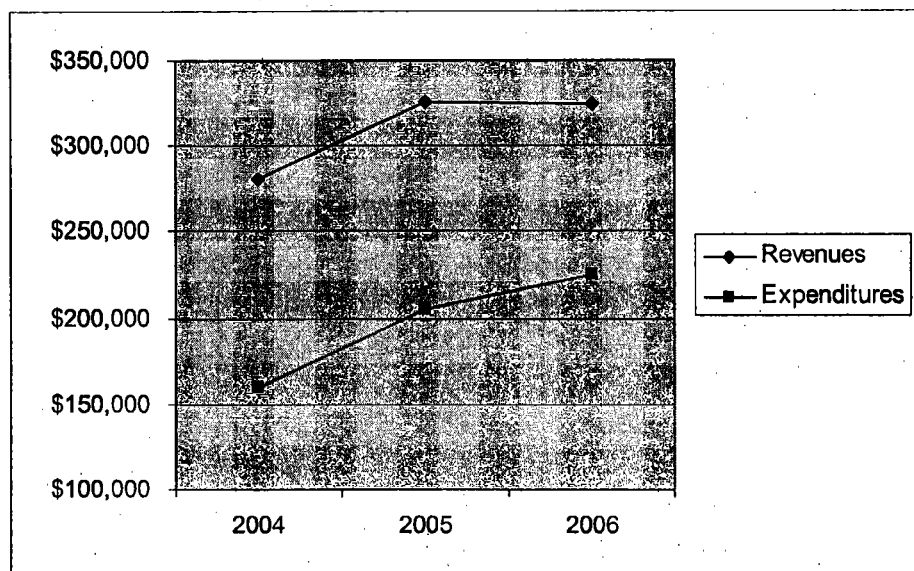
	<u>12/31/2005</u>	<u>12/31/2006</u>
Revenues:		
Program revenues:		
Charges for services	\$ -	\$ -
Operating grants and contributions	25,078	2,100
Capital grants and contributions	-	7,424
General revenues:		
Property taxes	262,393	286,522
Fee-in-lieu	36,208	23,739
Unrestricted investment earnings	1,909	5,107
Total revenues	<u>325,588</u>	<u>324,892</u>
Expenses:		
Public safety	204,927	225,074
Interest on long-term debt	-	-
Total expenses	<u>204,927</u>	<u>225,074</u>
Increase in net assets	120,661	99,818
Net assets, beginning	<u>255,580</u>	<u>376,241</u>
Net assets, ending	<u>\$ 376,241</u>	<u>\$ 476,059</u>

Total resources available during the year to finance governmental operations were \$701,133 consisting of Net assets at January 1, 2006 of \$376,241 program revenues of \$9,524 and General Revenues of \$315,368. Total Governmental Activities during the year were \$225,074; thus Governmental Net Assets were increased by \$99,818 to \$476,059.

The following graph provides a breakdown of revenues by source for all government activities.



The following graph provides a comparison of revenues and expenses for three years.



General Fund Budgetary Highlights

The final appropriations for the General Fund at year-end were \$64,711 greater than actual expenditures. Actual revenues were more than the final budget by \$25,468 due to tax revenues. There were no budget amendments and supplemental appropriations made during the year to prevent budget overruns and to increase appropriations for unanticipated expenditures after adoption of the original budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the District are those assets that are used in performance of District functions. Capital Assets include land, buildings, equipment, and vehicles. At the end of fiscal year 2006, net capital assets of the government activities totaled \$60,955. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 6 to the financial statements.)

Debt

At year-end, the District had no long-term governmental type debt.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the District Budget for fiscal year 2007, the District Board and management estimated the budget for operating revenues and expenditures will increase approximately 15% from 2006.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jerry Rasmussen, Treasurer of the Southwest Mosquito Abatement District at 197 East Tabernacle, St. George, Utah or call 435-652-5856.

BASIC FINANCIAL STATEMENTS

SOUTHWEST MOSQUITO ABATEMENT AND CONTROL DISTRICT

**Statement of Net Assets
December 31, 2006**

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 295,633
Receivables (net of allowance)	131,332
Prepaid expenses	914
Restricted assets:	
Capital assets (net of accumulated depreciation)	
Machinery and equipment	12,682
Vehicles	48,273
Total assets	488,834
Liabilities	
Accounts Payable	12,776
Interest payable	-
Noncurrent liabilities:	
Due within one year	-
Due in more than one year	-
Total liabilities	12,776
Net Assets	
Invested in capital assets, net of related debt	60,955
Restricted for:	
Debt service	-
Unrestricted	415,104
Total Net Assets	\$ 476,059

See accompanying notes and accountants' report.

SOUTHWEST MOSQUITO ABATEMENT AND CONTROL DISTRICT

Statement of Activities For the Year Ended December 31, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Total
Governmental activities:					
Public safety	\$ 225,074	\$ 2,100	\$ 7,424	\$ (215,550)	\$ (215,550)
Interest on long-term debt	-	-	-	-	-
Total governmental activities	225,074	2,100	7,424	(215,550)	(215,550)
General Revenues:					
Taxes:					
Property taxes				286,522	286,522
Fee-in-lieu				23,739	23,739
Unrestricted investment earnings				5,107	5,107
Total general revenues & transfers				315,368	315,368
Change in net assets				99,818	99,818
Net assets - beginning				376,241	376,241
Net assets - ending				\$ 476,059	\$ 476,059

See accompanying notes and accountants' report.

SOUTHWEST MOSQUITO ABATEMENT AND CONTROL DISTRICT

Balance Sheet Governmental Funds December 31, 2006

	General Fund	Total Governmental Funds
Assets:		
Cash and Investments	\$ 295,633	\$ 295,633
Accounts receivable	-	-
Due from other governments	131,332	131,332
Prepaid expenses	914	914
	<u> </u>	<u> </u>
Total Assets	<u><u>\$ 427,879</u></u>	<u><u>\$ 427,879</u></u>
Liabilities and Fund Balances:		
Liabilities:		
Accounts payable	\$ 10,332	\$ 10,332
Accrued liabilities	2,444	2,444
	<u> </u>	<u> </u>
Total Liabilities	<u>12,776</u>	<u>12,776</u>
Fund Balances:		
Reserved	-	-
Unreserved:	415,104	415,104
	<u> </u>	<u> </u>
Total fund balances	<u>415,104</u>	<u>415,104</u>
Total Liabilities and fund balance	<u><u>\$ 427,880</u></u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 60,955

Net assets of governmental units \$ 476,059

See accompanying notes and accountants' report.

SOUTHWEST MOSQUITO ABATEMENT AND CONTROL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds

For the Year Ended December 31, 2006

	<u>General Fund</u>	<u>Total Governmental Funds</u>
Revenues:		
Property Taxes	\$ 286,522	\$ 286,522
Fee-in-lieu taxes	23,739	23,739
Penalties & Interest	5,107	5,107
Intergovernmental revenue	2,100	2,100
Other revenue	-	-
	<hr/>	<hr/>
Total Revenues	317,468	317,468
	<hr/>	<hr/>
Expenditures:		
Mosquito Abatement Services		
Salaries and Wages	80,195	80,195
Benefits	31,081	31,081
Services, Supplies, and Other	88,411	88,411
Debt service	-	-
Capital outlay	27,602	27,602
	<hr/>	<hr/>
Total Expenditures	227,289	227,289
	<hr/>	<hr/>
Net Change in Fund Balance	90,179	90,179
	<hr/>	<hr/>
Fund Balance - Beginning of Year	324,925	324,925
	<hr/>	<hr/>
Fund Balance - End of Year	<u>\$ 415,104</u>	<u>\$ 415,104</u>

See accompanying notes and accountants' report.

SOUTHWEST MOSQUITO ABATEMENT AND CONTROL DISTRICT

**Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Fund
to the Statement of Activities
December 31, 2006**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental fund	\$	90,179
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		2,215
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Donation of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.		<u>7,424</u>
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Change in net assets of governmental activities	\$	<u><u>99,818</u></u>
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See accompanying notes and accountants' report.

SOUTHWEST MOSQUITO ABATEMENT AND CONTROL DISTRICT

Notes to the Financial Statements December 31, 2006

NOTE 1. Significant Accounting Policies

General

The accounting and reporting policies of the Southwest Mosquito Abatement District (The District) conform with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Reporting Entity

The District was established in 2003 by authorization of the Washington County Commission and by vote of the participants in the District. The District provides mosquito abatement services to the citizens of the participants which are currently, Washington County and the following municipalities: Enterprise, Hildale, Hurricane, Ivins, LaVerkin, Leeds, New Harmony, Rockville, Santa Clara, Springdale, St. George, Toquerville, Virgin, and Washington City. The Accompanying financial statements include all activities of the District. There are no other agencies or component units that should be associated with these financial statements.

Government-Wide Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information about the District, the primary government, as a whole.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

SOUTHWEST MOSQUITO ABATEMENT AND CONTROL DISTRICT

Notes to the Financial Statements December 31, 2006

NOTE 1. Significant Accounting Policies, Continued

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than as an expenditure. Proceeds from long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long term debt of the District are reported as a reduction of a related liability, rather than as expenditures in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become both measurable and available. "Measurable" means that the amounts can be reasonably determined within the current period. "Available" means that the amounts are collectible within the current period, or soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, except for interest on long-term debt, which is recognized when due.

The **General Fund** is used to account for all financial resources applicable to the general operations of the District.

As a general rule, the effect of inter-fund activity is eliminated from the government-wide financial statements; however, the District only has one fund.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash-on-hand, demand deposits and short-term investments with original maturities of three months or less from the date of the acquisition for purposes of this note.

Inventory

The costs of governmental fund-type inventories are recorded as expenditures when purchased. Also, the District's inventory of materials and supplies is deemed to be immaterial; thus, no provision for inventory has been made in these financial statements.

SOUTHWEST MOSQUITO ABATEMENT AND CONTROL DISTRICT

Notes to the Financial Statements December 31, 2006

NOTE 1. Significant Accounting Policies, Continued

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the governmental activities column of the government-wide statement of net assets. Currently, the District has no infrastructure assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 30 years; equipment and vehicles, 10 years.

Compensated Absences

The estimated current portion of the liability for vested vacation and sick leave benefits attributable to the District's governmental funds is recorded as an expenditure and a liability in the respective funds. The long-term portion is not material and has not been recorded in these financial statements. The District currently participates with Washington County for full-time employee benefits.

Net Assets

Net assets is the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by other governments, creditors or grantors.

Estimates

Generally accepted accounting principles require management to make estimates and assumptions that affect assets and liabilities, contingent assets and liabilities, and revenues and expenditures. Actual results could differ from those estimates.

Use of Restricted Assets

When both restricted and unrestricted assets are available for use, it is the District's policy to use restricted assets first, then unrestricted assets as they are needed; but reserves the right to be selective in the use of such restricted assets that best fit District needs.

SOUTHWEST MOSQUITO ABATEMENT AND CONTROL DISTRICT

Notes to the Financial Statements December 31, 2006

NOTE 2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets. One element of that reconciliation explains that "when capital assets (property, plant & equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the District as a whole. The details of this \$60,955 difference are as follows.

Cost of capital assets	\$ 105,759
Accumulated depreciation	(44,804)
Total difference	<u>\$ 60,955</u>

Explanation of differences between governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital Outlay	\$ 22,700
Depreciation Expense	<u>(20,485)</u>
Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 2,215</u>

SOUTHWEST MOSQUITO ABATEMENT AND CONTROL DISTRICT

Notes to the Financial Statements December 31, 2006

NOTE 3. Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

Annual budgets are prepared and adopted by resolution by the Board on or before December 15th for the following calendar year in accordance with State law. Prior to adoption of the budget a public hearing is conducted to obtain taxpayer input. The budget includes proposed expenditures and the proposed sources of financing for such expenditures and is adopted on a basis consistent with generally accepted accounting principals using the modified accrual basis of accounting. Budgets are adopted and control of budget appropriations are exercised under State law, at the department level. Budget amendments are required to increase expenditure budgets. During the current fiscal year there were amendments to the budget. Procedures for amending budgets are done in accordance with State laws.

Property Taxes

Property taxes are collected by the Washington County Treasurer and remitted to the District in monthly installments. Taxes are levied each October on the taxable value listed as of the prior January 1 for all real property located in the District. Taxable values are established by the County Assessor at 68% of the fair market value on primary residential property and 100% of the fair market value on non-primary residential property. A revaluation of all property is required to be completed no less than every five years. Taxes are due and payable on November 1 and delinquent after November 30 of each year at which time they become liens if not paid. Over 75% of the District's taxes are remitted to the District in December and January.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District.

SOUTHWEST MOSQUITO ABATEMENT AND CONTROL DISTRICT

Notes to the Financial Statements December 31, 2006

NOTE 4. Deposits and Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The District follows the requirements of the Utah Money Management Act (*Utah code*, Section 51, chapter 7) in handling its depository and investment transactions. The Act requires the depositing of District funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The District does not have a formal policy for custodial credit risk. As of December 31, 2006, \$295,633 of the District's cash was held in the central treasury of Washington County. Cash in Washington County's central treasury consists of deposits at various financial institutions, including the State Public Treasurer's Investment Fund. For more information related to central treasury cash and credit risk refer to Washington County's financial statements.

Investments

The Money Management Act defines the types of securities authorized as appropriate investment for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poor's, bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

SOUTHWEST MOSQUITO ABATEMENT AND CONTROL DISTRICT

Notes to the Financial Statements December 31, 2006

NOTE 4. Deposits and Investments, Continued

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer. The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gain or losses on investments. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act.

For more information related to central treasury investment maturities, type of investments and quality ratings refer to Washington County's financial statements.

NOTE 5. Accounts Receivable – Due From Other Governments

Amounts shown as Due from Other Governments are amounts "measurable and available" and due from the County for property taxes collected within 60 days.

Property Taxes Receivable	<u>\$ 131,332</u>
Total Due from Other Governments	<u>\$ 131,332</u>

SOUTHWEST MOSQUITO ABATEMENT AND CONTROL DISTRICT

Notes to the Financial Statements December 31, 2006

NOTE 6. Capital Assets and Depreciation

Capital asset activity for the year ended December 31, 2006 is as follows:

Governmental Activities:

	Balance 12/31/2005	Additions	Deletions	Balance 12/31/2006
Capital assets, not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Total capital assets, not being depreciated	-	-	-	-
Capital assets, being depreciated:				
Buildings and improvements	-	-	-	-
Machinery and equipment	20,919	1,100	-	22,019
Vehicles	54,716	29,375	733	83,358
Total capital assets, being depreciated	75,635	30,475	733	105,377
Less accumulated depreciation for:				
Buildings and improvements	-	-	-	-
Machinery and equipment	(7,099)	(2,238)	-	(9,337)
Vehicles	(17,220)	(18,247)	382	(35,085)
Total accumulated depreciation	(24,319)	(20,485)	382	(44,422)
Total capital assets, being depreciated, net	51,316	9,990	351	60,955
Governmental activities capital assets, net	\$ 51,316	\$ 9,990	\$ 351	\$ 60,955

Depreciation expense was charged to the functions/programs of the District as follows:

Governmental Activities:

Public Safety	\$ 20,485
Total depreciation expense - governmental activities	\$ 20,485

SOUTHWEST MOSQUITO ABATEMENT AND CONTROL DISTRICT

Notes to the Financial Statements December 31, 2006

NOTE 7. Risk Management

The District is exposed to various risks of loss to torts; theft of, damage to and destruction of assts; errors and omission; and natural disasters for which the District carries policies of insurance with the Utah Local Governments Insurance Trust. The District participates with Washington County for payroll and benefits and is insured through the County by Utah State Workers Compensation Insurance Fund for potential job-related accidents. There were no significant reductions in insurance coverage from the previous year.

NOTE 8. Benefit Pension Plan

The District participates with Washington County in the Utah State-Wide Local Government Retirement System for employee benefits. The Pension Plan details are disclosed in the County financial statements.

NOTE 9. Services Agreement

The District has contracted with Washington County to provide accounting services, budgeting services, employment services, and office and operational space relative to the operation of the District. District employees are considered employees of Washington County for payroll tax reporting purposes and for participation in the State employee's retirement plan as stated above.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTHWEST MOSQUITO ABATEMENT AND CONTROL DISTRICT

General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances Budget to Actual For the Year Ended December 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$ 260,000	\$ 260,000	\$ 286,522	\$ 26,522
Fee-in-lieu taxes	30,000	30,000	23,739	(6,261)
Penalties & Interest	2,000	2,000	5,107	3,107
Intergovernmental revenue	-	-	2,100	2,100
Other revenue	-	-	-	-
Total Revenues	292,000	292,000	317,468	25,468
Expenditures:				
Mosquito Abatement Services				
Salaries and Wages	108,500	108,500	80,195	28,305
Benefits	43,000	43,000	31,081	11,919
Services, Supplies, and Other	109,500	109,500	88,411	21,089
Debt service	-	-	-	-
Capital outlay	31,000	31,000	27,602	3,398
Total Expenditures	292,000	292,000	227,289	64,711
Net Change in Fund Balance	-	-	90,179	90,179
Fund Balance - Beginning of Year	324,925	324,925	324,925	-
Fund Balance - End of Year	\$ 324,925	\$ 324,925	\$ 415,104	\$ 90,179

See Accountants' report.